

**55. Other reserves**

	Retained profits £mn	Capital reserves £mn	Total £mn
At 1 January 2006	800.8	1,401.2	2,202.0
Loss after tax	(20.6)	—	(20.6)
Dividends	(63.4)	—	(63.4)
<b>Retained loss for the year after dividends</b>	(84.0)	—	(84.0)
Actuarial gains on defined benefit pension scheme	5.6	—	5.6
Current tax on Equity Compensation Plan and share option awards	2.0	—	2.0
Tax on actuarial gains on defined benefit pension scheme	(1.7)	—	(1.7)
Deferred tax on Equity Compensation Plan and share option awards – current year	0.4	—	0.4
<b>Net income recognised directly in equity</b>	6.3	—	6.3
Share-based payments	22.0	—	22.0
Share-based payments vested	(13.3)	—	(13.3)
Cancellation of non-voting ordinary shares	(61.4)	5.2	(56.2)
<b>At 31 December 2006</b>	<b>670.4</b>	<b>1,406.4</b>	<b>2,076.8</b>

**56. Awards to employees of rights to share-based payments**

Details of the Company's awards to employees of rights to share-based payments can be found in note 35.

**57. Related party transactions****(a) Transactions between related parties**

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, and transactions between the Company and other related parties, excluding compensation, are disclosed below.

	2006					
	Revenues £mn	Interest receivable £mn	Interest payable £mn	Expenses £mn	Amounts owed by related parties £mn	Amounts owed to related parties £mn
Subsidiaries of the Company	–	1.9	(13.1)	–	41.9	(333.1)
Key management personnel	–	–	–	(0.3)	–	(0.9)
	2005					
	Revenues £mn	Interest receivable £mn	Interest payable £mn	Expenses £mn	Amounts owed by related parties £mn	Amounts owed to related parties £mn
Subsidiaries of the Company	–	1.4	(23.4)	–	33.0	(162.8)
Key management personnel	–	–	–	(0.2)	–	(1.5)

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense for bad or doubtful debts has been recognised in the year in respect of the amounts owed by related parties.

**(b) Key management personnel compensation**

The remuneration of key management personnel during the year was as follows:

	2006 £mn	2005 £mn
Short-term employee benefits	8.6	7.7
Post-employment benefits	0.2	0.2
Other long-term benefits	2.7	4.0
Share-based payments	4.2	5.6
	<b>15.7</b>	<b>17.5</b>

The remuneration policy is described in more detail in the remuneration report on page 26.

**Schroders plc Notes to the Accounts**

for the year ended 31 December 2006

**58. Subsidiary undertakings**

The following information is given in respect of those subsidiary undertakings which, in the opinion of the Directors, principally affect the consolidated profits or assets of the Company. They are all wholly-owned subsidiary undertakings of the Company (except where shown) and their issued share capital consists of equity shares and other classes of shares where indicated.

All undertakings operate in the countries where they are registered or incorporated except where shown. All companies are engaged in the business of asset management, private banking or private equity.

**England**

NewFinance Capital Partners Limited  
 NewFinance Capital LLP  
 JHSW Leasing (12) Limited  
 Schroder Administration Limited\*  
 Schroder & Co. Limited  
 Schroder Financial Services Limited  
 Schroder International Holdings Limited  
 Schroder Investment Company Limited  
 Schroder Investment Management Limited  
 Schroder Investment Management North America Limited  
 Schroder Investments Limited  
 Schroder Pension Management Ltd  
 Schroder Property Investment Management Limited  
 Schroder Unit Trusts Limited  
 Schroder Ventures (1991) Limited

**Argentina**

Schroder Investment Management S.A.

**Australia**

Schroders Australia Holdings Pty Limited  
 Preference shares

**Bermuda**

Schroder Finance (Bermuda) Limited  
 Schroder International Holdings (Bermuda) Limited  
 Schroder Investments (Bermuda) Limited  
 Schroder Investments (SVIIT) Limited  
 Preference shares  
 Schroder Venture Managers Limited  
 Schroders (Bermuda) Limited

**Channel Islands**

Burnaby Insurance (Guernsey) Limited  
 Schroder Investments (Guernsey) Limited  
 Preference shares  
 Schroder Investment Management (Guernsey) Limited  
 Schroder Property Managers (Jersey) Limited  
 Schroder Venture Managers (Guernsey) Limited  
 Preference shares  
 Schroders (C.I.) Limited

**Denmark**

Schroder Investment Management  
 Fondsmaeglerselskab A/S

**Germany**

Schroder Investment Management GmbH

**Hong Kong SAR**

Schroder Investment Management (Hong Kong) Limited  
 Preference shares

**Indonesia**

PT Schroder Investment Management Indonesia – 99.0%

**Italy**

Schroders Italy SIM S.p.A.

**Japan**

Schroder Investment Management (Japan) Limited

**Korea**

Schroders Korea Limited

**Luxembourg**

Schroder Investment Management (Luxembourg) S.A.

**Netherlands**

Schroder Investment Management Benelux N.V.

**Singapore**

Schroder Investment Management (Singapore) Ltd

**Switzerland**

Schroder & Co Bank AG

**United States of America**

Internet Finance Partners L.P. – 68.3%  
 Schroder Investment Management North America Inc.  
 Schroder US Holdings Inc

A full list of subsidiary undertakings, joint ventures and associates will be annexed to the next annual return of Schroders plc to be filed with the Registrar of Companies.

\*Held directly by the Company.



## Five year financial summary

	Prepared under IFRS			Prepared under UK GAAP*		
	2006 £mn	2005 £mn	2004 £mn	2004 £mn	2003 <sup>5</sup> £mn	2002 £mn
Profit before tax	290.0	250.7	211.6	191.0	65.0	18.9
Tax	(68.1)	(57.4)	(40.3)	(41.4)	(16.4)	7.7
Profit after tax before minority interests	221.9	193.3	171.3	149.6	48.6	26.6
Minority interests	(0.6)	(2.0)	(15.6)	(15.6)	—	(0.5)
<b>Profit for the year</b>	<b>221.3</b>	<b>191.3</b>	<b>155.7</b>	<b>134.0</b>	<b>48.6</b>	<b>26.1</b>

	Prepared under IFRS			Prepared under UK GAAP*		
	2006 Pence	2005 Pence	2004 Pence	2004 Pence	2003 <sup>5</sup> Pence	2002 Pence
<b>Earnings per share:</b>						
Basic earnings per share <sup>1</sup>	76.9	65.7	53.5	46.0	16.5	8.8
Diluted earnings per share <sup>1</sup>	75.7	65.1	53.1	45.7	16.4	8.8

	Prepared under IFRS			Prepared under UK GAAP*		
	2006	2005	2004	2004	2003	2002
<b>Dividends:</b>						
Cost (£mn)	63.4	59.5	56.4	57.8	53.7	53.3
Pence per share <sup>2</sup>	22.0	20.5	19.5	20.0	18.5	18.5
<b>Total equity (£mn)</b>	<b>1,443.6</b>	<b>1,343.1</b>	<b>1,130.6</b>	<b>1,114.1</b>	<b>1,029.2</b>	<b>1,051.9</b>
<b>Net assets per share (pence)<sup>3</sup></b>	<b>491</b>	<b>450</b>	<b>381</b>	<b>375</b>	<b>350</b>	<b>355</b>

## Group employees at year end

31 December	2006 <sup>4</sup> Number	2005 <sup>4</sup> Number	2004 <sup>4</sup> Number	2004 <sup>4</sup> Number	2003 Number	2002 Number
Europe	1,865	1,796	1,675	1,675	1,571	1,668
Americas	225	205	181	181	164	220
Asia Pacific	585	538	515	515	485	504
	<b>2,675</b>	<b>2,539</b>	<b>2,371</b>	<b>2,371</b>	<b>2,220</b>	<b>2,392</b>

\* The main adjustments necessary that would make this information comply with IFRS are those concerned with the measurement of share-based payments, dividends, leases, employee benefits, intangible assets (including goodwill), revenue and non-current assets classified as being held for sale.

<sup>1</sup> See note 8 for the basis of this calculation.

<sup>2</sup> Dividends per share are those amounts approved by the shareholders to be paid within the year on a per share basis to the shareholders on the register at the specified dates.

<sup>3</sup> Net assets per share are calculated by using the actual number of shares in issue at the balance sheet date (see note 29).

<sup>4</sup> In contrast to prior years, headcount is stated including short term temporary staff and without netting off known future redundancies.

<sup>5</sup> Restated post adoption of UITF Abstract 38 under UK GAAP.

## Exchange rates

31 December	2006	2005	2004	2003	2002
Sterling:					
Euro	1.48	1.45	1.42	1.42	1.54
US dollar	1.96	1.72	1.93	1.79	1.61
Swiss franc	2.39	2.26	2.19	2.21	2.23
Australian dollar	2.48	2.35	2.48	2.38	2.85
Hong Kong dollar	15.22	13.36	15.01	13.86	12.57
Japanese yen	233.20	202.39	197.87	190.86	191.28
Singaporean dollar	3.00	2.86	3.15	3.03	2.80

**Notice of Annual General Meeting****Important information**

This notice of meeting contains important information and requires your attention. If you are in any doubt as to what action to take you should consult with an appropriate adviser.

Notice is hereby given that the 2007 Annual General Meeting of Schroders plc will be held at 31 Gresham Street, London EC2V 7QA on Tuesday 24 April 2007 at 11.30 a.m. to transact the following business:

**Resolutions**

To consider and, if thought fit, to pass resolutions numbered 1 to 10 as Ordinary Resolutions (requiring a majority of more than 50 per cent.) and resolutions 11 and 12 as Special Resolutions (requiring a majority of not less than 75 per cent.).

In the opinion of the Directors, all of the resolutions proposed are in the best interests of shareholders and consequently the Directors recommend that shareholders vote in favour of each resolution.

**Report and Accounts**

1. That the Directors' report and the Accounts of the Company for the year ended 31 December 2006 be received and adopted.

*For each financial year the Directors are required to present the Directors' report and the Accounts of the Company for adoption by shareholders. Accordingly, the Report and Accounts for the year ended 31 December 2006 are now presented and proposed for adoption.*

**Final dividend**

2. That a final dividend of 17.5 pence per share on the ordinary shares and on the non-voting ordinary shares as recommended by the Directors be declared payable on 27 April 2007 to shareholders on the register on 16 March 2007.

*The payment of the final dividend of 17.5 pence per share in respect of the year ended 31 December 2006, which is recommended by the Board, requires the approval of shareholders in general meeting.*

**Remuneration report**

3. That the remuneration report for the year ended 31 December 2006 be approved.

*Under section 234B of the Companies Act 1985 (as amended), the Directors must prepare an annual report detailing the remuneration of the Directors and the Company's remuneration policy for Directors. Section 241A requires that a resolution be put to shareholders each year for their approval of that report. The remuneration report can be found on pages 26 to 33. This notice therefore contains a resolution to approve the remuneration report for the year ended 31 December 2006. The result of this resolution is advisory only.*

**Re-election of Directors no later than the third Annual General Meeting following last election or re-election**

4. That Merlyn Lowther, who retires in accordance with Article 88, be re-elected as a Director of the Company.

*Under Article 88 of the Company's Articles of Association Directors must retire and may offer themselves for re-election not later than the third Annual General Meeting following his or her election or last re-election to the Board. Merlyn Lowther is retiring from office under this Article and offers herself for re-election. Merlyn Lowther's profile is contained on page 19.*

*The Board supports the re-election of Merlyn Lowther who also sits on the Audit Committee.*

**Re-election of Directors having attained the age of 70 (resolutions 5 to 7)**

5. That George Mallinckrodt, who retires in accordance with Article 89, be re-elected as a Director of the Company.
6. That Michael Miles, who retires in accordance with Article 89, be re-elected as a Director of the Company.
7. That Bruno Schroder, who retires in accordance with Article 89, be re-elected as a Director of the Company.

*Under Article 89 of the Company's Articles of Association Directors must retire and may offer themselves for re-election annually once they have attained the age of 70. This applies to George Mallinckrodt, Michael Miles and Bruno Schroder and they each offer themselves for re-election. A profile of each of these Directors is contained on page 19.*

*The Board supports the re-election of George Mallinckrodt in view of his many years' international business experience. The Board believes that Michael Miles has continued to lead the Board ably over the past year and remains the most appropriate person to continue to lead the Board and therefore the Board supports his re-election. The Board further believes that it is appropriate for Bruno Schroder, as the representative of our principal shareholder group, to be re-elected.*

*The Chairman, and the senior independent Director, Sir Peter Job, in respect of the Chairman, confirm that, following the completion of the Board performance evaluation process for 2006, the performance of each of the Directors named in resolutions 4 to 7 continues to be effective and demonstrates commitment to his or her respective role. Accordingly, the re-election of each of these Directors is recommended.*

**Auditors (Resolutions 8 and 9)**

8. That PricewaterhouseCoopers LLP be and are hereby reappointed as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company in accordance with section 241 of the Companies Act 1985 (as amended).
9. That the Directors be authorised to fix the remuneration of PricewaterhouseCoopers LLP as auditors of the Company.

*The Company's auditors must offer themselves for reappointment at each Annual General Meeting at which accounts are presented. Accordingly, the Board, on the recommendation of the Audit Committee, proposes the reappointment of PricewaterhouseCoopers LLP as the Company's auditors. Resolution 9 authorises the Directors to agree the remuneration of PricewaterhouseCoopers LLP for their services as auditors.*

**Authority to allot shares**

10. That the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to an aggregate nominal amount of £5,000,000, which authority shall expire on 1 May 2008 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (whichever is earlier) (unless previously revoked or varied by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. For the purposes of this authority, the expression 'relevant securities' shall mean relevant securities as defined in section 80 of the Companies Act 1985 (as amended), but shall not in any circumstances include ordinary shares (as defined in the Company's Articles of Association) or any right to subscribe for, or to convert any security into, ordinary shares.

*Under the Companies Act 1985, the Directors may not allot unissued shares in the Company without the authority of shareholders in general meeting, except for the issue of shares under the Company's share or share option plans. If approved by shareholders, this resolution would permit the Directors to issue non-voting ordinary shares or rights to subscribe for, or convert securities into, non-voting ordinary shares up to an aggregate nominal amount of £5,000,000. The authority would not permit the Directors to issue ordinary shares or to grant rights to subscribe for, or convert securities into, ordinary shares. The maximum amount of the authority is equal to approximately 1.7 per cent. of the Company's total issued share capital and approximately 7.4 per cent. of its issued non-voting ordinary share capital, in each case as at 8 March 2007, being the latest practicable date prior to the publication of this document. The Company does not currently hold any shares in treasury.*

*The authority given in this resolution would expire on the earlier of 1 May 2008 and the conclusion of the next Annual General Meeting of the Company.*

*Except for the issue of non-voting ordinary shares under the Company's share or share option plans, the Directors do not presently intend to allot any unissued shares. Although they have not sought general shareholder authority to issue non-voting ordinary shares in the past, the Directors now consider that it would be appropriate to have the flexibility to*